

Entergy Corporation Reorganization

PSC Case No. 08-E-077

Information Request

Requesting Party and Question Number: ALJ, Question 6 and 7

Request Date: November 24, 2009

Information Requested of: Petitioners

Reply Date: November 30, 2009

Responsible Witness and Title: Dean Keller, Executive Vice President and CFO Designate,
Enexus Energy Corporation

Question 6

Provide a side-by-side analysis of Entergy compared to Enexus under Scenario 11 with the extension of the \$200 million per year of capital expenditures over twelve (12) instead of four (4) years in order to assess the potential requirement of cooling towers at the Indian Point site. Provide the same information requested in question 4.

Question 7

Provide the same analysis in question 6 updated to reflect current market prices for electricity and Entergy/Enexus latest forecast of such prices in the future.

From Question 4: "... including the financial ratios used by the rating agencies (FFO Interest Coverage, FFO to Total Debt, Total Debt to EBITDA and Total Debt to Capital), a summary of available liquidity resources as well as the calculation of Entergy's 65% debt covenant test for each year of the model. Describe the implications of the results and provide all workpapers, assumptions and calculations."

RESPONSE

Attachment 1 contains confidential financial statements for the following cases:

- (1) Enexus from 2010 to 2022 including an additional \$200 million in capital spending per year with Petitioners' previous proxy for market prices
- (2) Enexus from 2010 to 2022 including an additional \$200 million in capital spending per year with Petitioners' proxy for current prices
- (3) Consolidated Entergy integrating (1) above
- (4) Consolidated Entergy integrating (1) above and a hurricane every five years
- (5) Consolidated Entergy integrating (2) above
- (6) Consolidated Entergy integrating (2) above and a hurricane every five years

These requests required Petitioners to go beyond the time horizon of the normal planning process and planning model. The initial years of the proformas are based on output from the normal planning process and planning model. Beyond that point, Petitioners have made assumptions relying upon their best estimates and judgments. Most costs are assumed to escalate at inflation. Simplifying assumptions are made about taxes (a statutory tax rate and cash taxes equal to book taxes), explicit modeling of changes in working capital are not included and simplifying assumptions about depreciation are made, among other assumptions. Petitioners also assumed that after 2020, Enexus' bond principle is paid down by \$350 million per year with a corresponding reduction in interest costs. While approximate, this accounts for the expected refinancing of the bonds from interest only to amortizing bonds based on the limited remaining life of the units after a second ten year period.

The proforma is shown in a more summary format than the scenario analyses previously submitted by Petitioners, which results from the use of a more simplified model for the period beyond the planning model. The attachment includes the requested financial ratios and, in the Entergy proformas, a calculation of the 65% debt covenant test.

Current prices for 2010 to 2013 are the current prices used in response to question #5. Beyond 2013, 2013 prices are escalated at the assumed inflation rate. Petitioners believe this is a conservative assumption for the price curve.

Finally, Petitioners note that the \$200 million per year investment made in these scenarios is made without giving consideration to the economics of the scenario (i.e., whether the investment is cost justified taking into account the cost of capital).

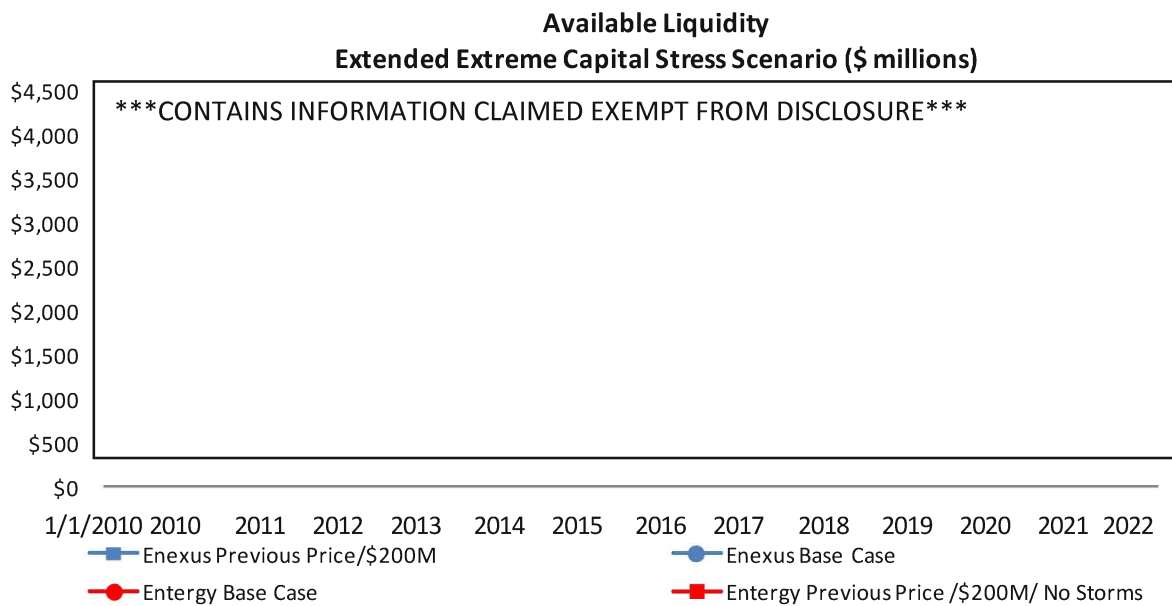
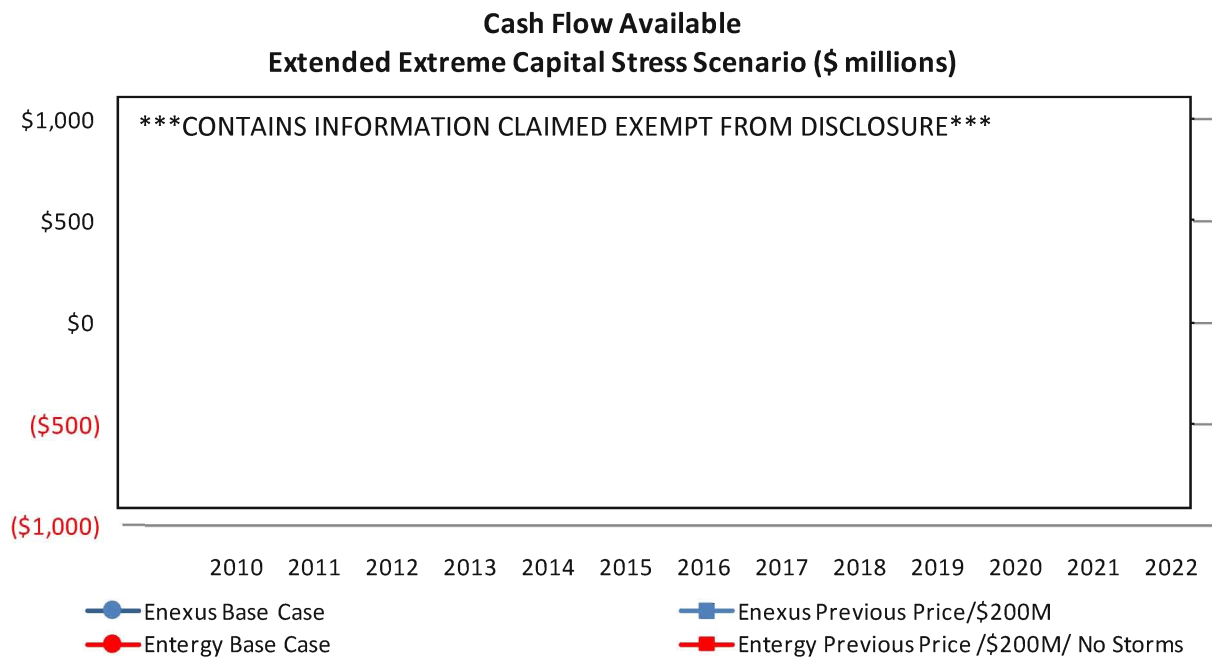
Comparison between Enexus and Entergy using Previous Prices

The following two sets of charts show the cash flow and liquidity of Entergy (no spin) and Enexus in a format similar to what Petitioners have used in the past. For Entergy (no spin), Cash Flow Available deducts dividends to common shareholders as a routine cash flow, but it does not deduct the cost for any share repurchases. In the initial set of graphs, a base case is included for reference. The additional spending causes a drop from the base case cash flow for both entities. Enexus' liquidity stays approximately the same because discretionary share repurchases are discontinued.

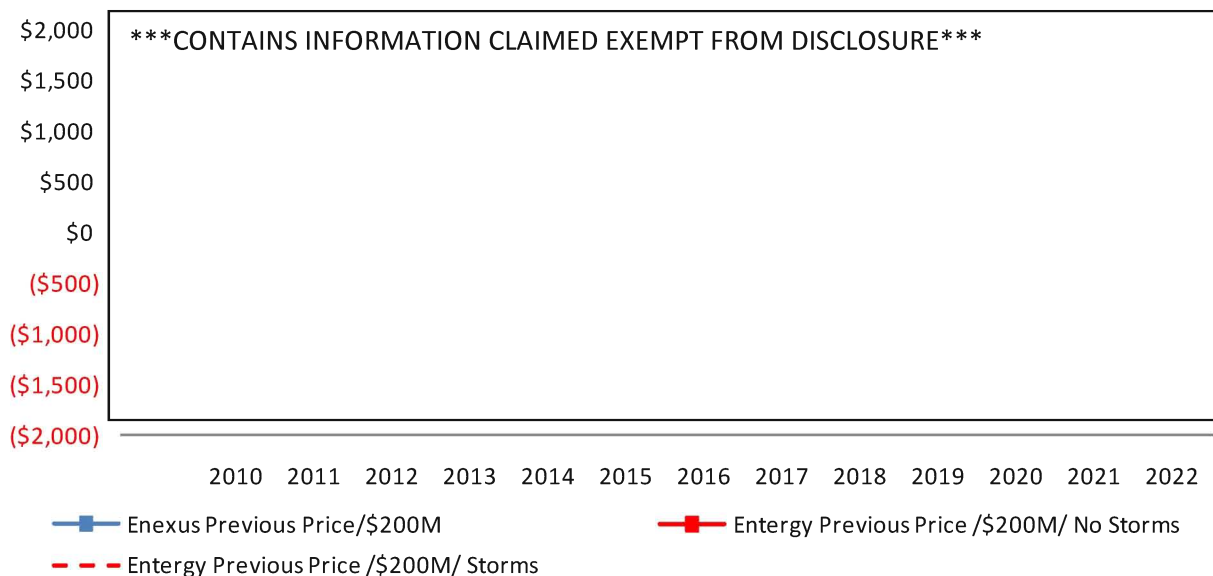
Over the longer horizon, Enexus cash flow shows a slight upward trend as patterns of spending/operation normalize, particularly nuclear fuel acquisition costs, to a positive margin that grows with inflation. This results in a substantial cash buildup which drives the liquidity increases.

The long term Entergy trend reflects ***BEGIN INFORMATION CLAIMED EXEMPT [REDACTED] END INFORMATION CLAIMED EXEMPT*** net investment in the utility businesses while targeting a debt to capital ratio of ***BEGIN INFORMATION CLAIMED EXEMPT [REDACTED] % END INFORMATION CLAIMED EXEMPT***. Over the period 2010 to 2022 the utility is projected to make incremental capital investments totaling over ***BEGIN INFORMATION CLAIMED EXEMPT \$[REDACTED] END INFORMATION CLAIMED EXEMPT*** billion due to expectations of replacement of aging infrastructure, investment to meet anticipated renewable energy standards, automated meter reading and demand side management investment to meet anticipated regulatory mandates, and incremental transmission investment to meet anticipated new NERC standards, along with more typical utility maintenance capital investments. This incremental utility investment is forecast to be financed through a combination of ***BEGIN INFORMATION CLAIMED EXEMPT [REDACTED] END INFORMATION CLAIMED EXEMPT***. After an initial drop, Entergy's liquidity available to the New York merchant assets remains approximately level. Note that this liquidity measure excludes liquidity facilities at the utility operating companies which cannot be used for the New York Facilities due to cross-subsidization prohibitions.

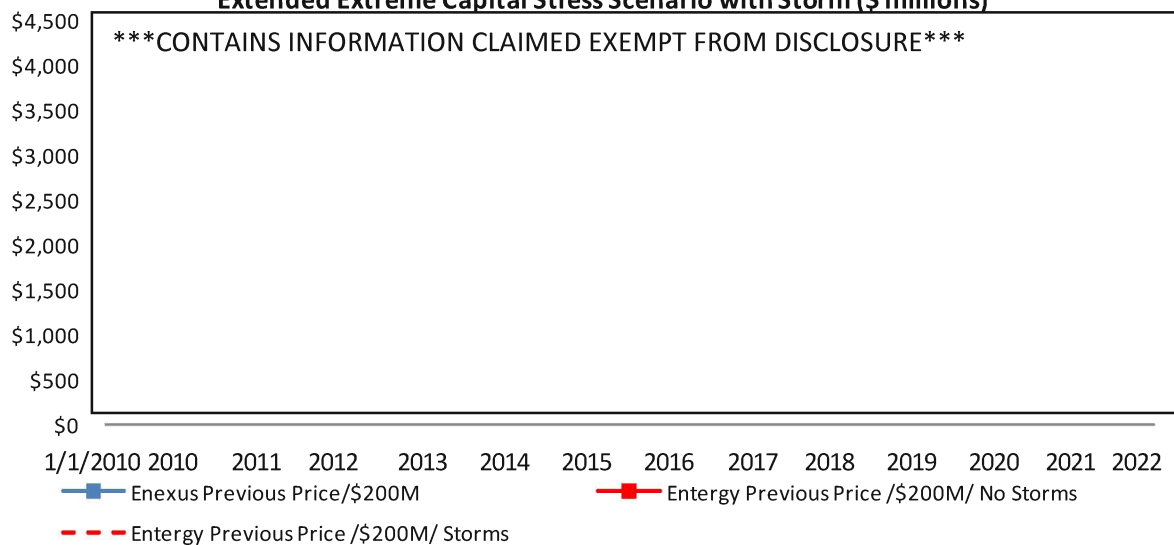
In the second set of charts where Entergy is assumed to incur \$1 billion of storm restoration costs for periodic Gulf Coast storms (growing with inflation for subsequent storms), the cash flow pattern for Entergy becomes much more variable as the storm restoration costs depress cash flow when they occur and recovery of these costs restores the cash flow in a later period. During the storm periods, Entergy's utilities are assumed to tap the utility liquidity facilities for \$300 million, or 100% of the current available liquidity facility capacity of Entergy Louisiana and Entergy Gulf States Louisiana (also growing with inflation for subsequent storms).



Cash Flow Available
Extended Extreme Capital Stress Scenario with Storm (\$ millions)

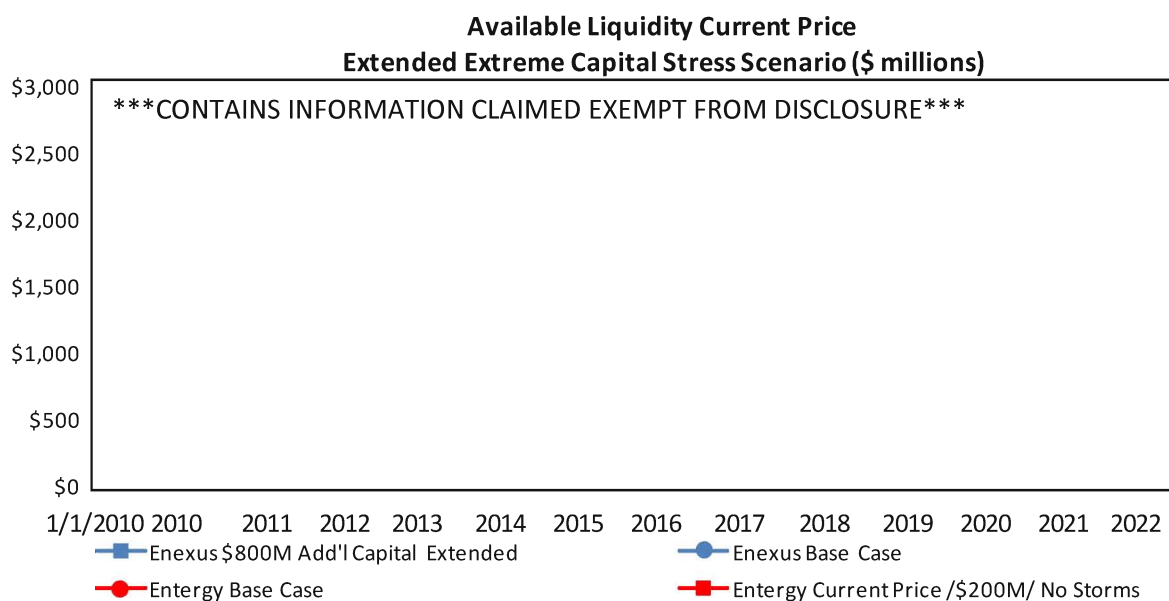
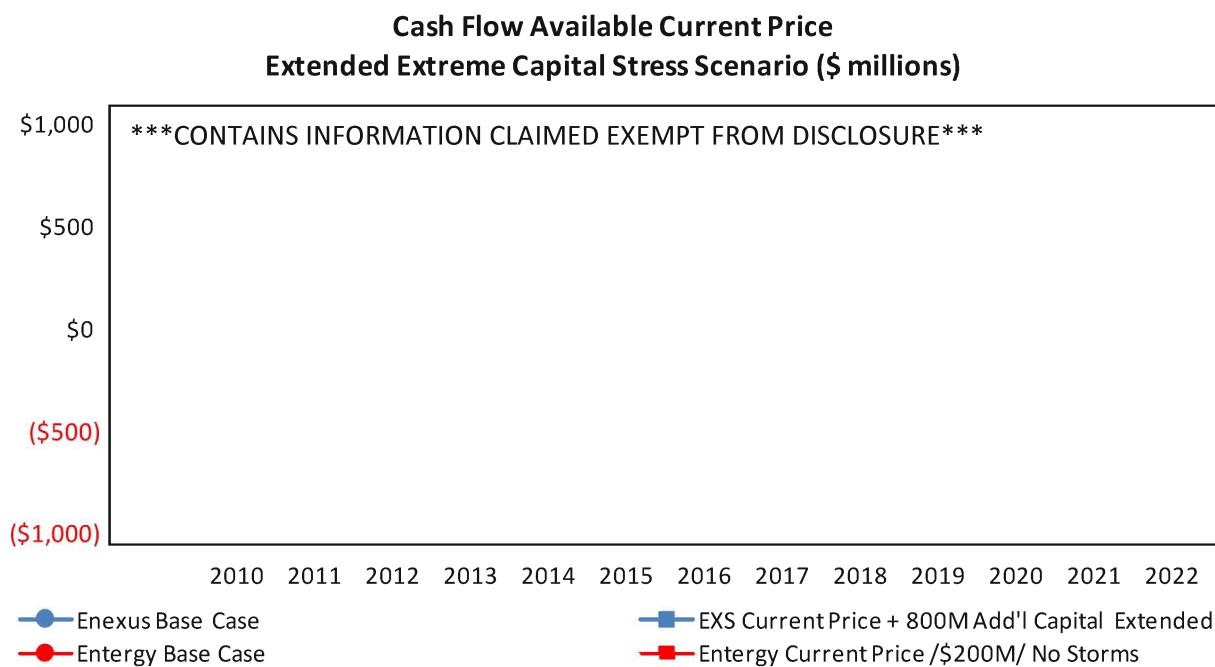


Available Liquidity
Extended Extreme Capital Stress Scenario with Storm (\$ millions)

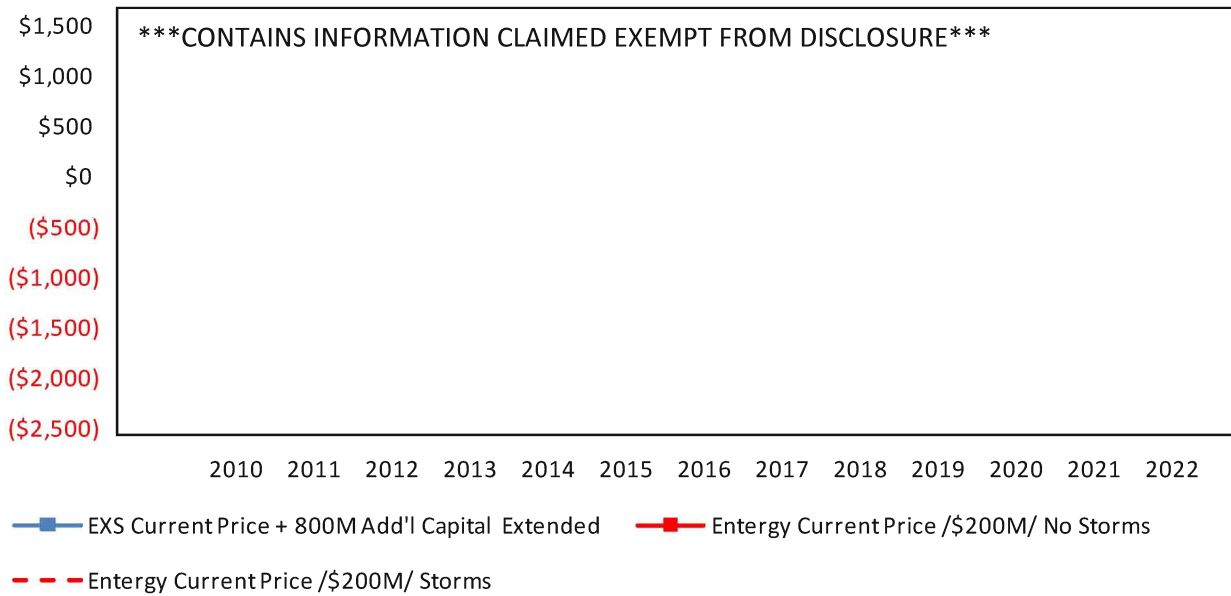


Comparison between Enexus and Entergy using Current Prices

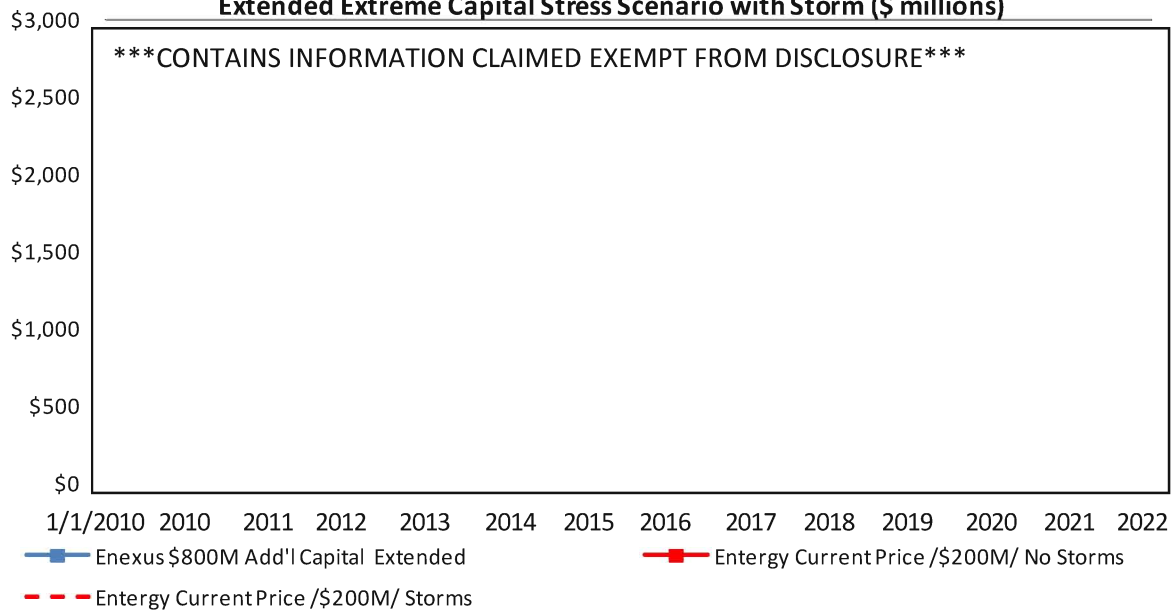
With the change in price curve (and because the 2014 to 2022 prices are solely a function of the 2013 prices), the curves all depress somewhat, but the shape and relative position of the curves do not change. There are no new conclusions from these charts.



**Cash Flow Available Current Price
Extended Extreme Capital Stress Scenario with Storm (\$ millions)**



**Available Liquidity Current Price
Extended Extreme Capital Stress Scenario with Storm (\$ millions)**



Appendixes Redacted